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President & CEO

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December 3, 2001

FAX: 603-773-6683
Mr. Stephen J. Curran, CPA
Director, Financial Regulation
UNITIL CORPORATION
6 Liberty Lane West
Hampton, NH 03842-1720

Dear Steve:

In accordance with your request, I am pleased to provide this proposal to prepare a comprehensive depreciation study relative to **Fitchburg Gas & Electric Company's electric, gas and common plant as of December 31, 2000 (2001 if the data becomes available in time)**. During our telephone conversation you noted that much of the data is available on an electronic basis. Conversely, some of the data may be in manual form.

In any event, our firm has completed an extensive quantity of depreciation studies based upon data obtained via a variety of data sources, including mechanized accounting data via computer diskette or e-mail transfers and accordingly are prepared to work with your staff to successfully complete the required depreciation studies.

Scope of Project

We envision the scope of the project to (1) develop the various depreciation data bases through December 31, 2000 (2001 if applicable) from the company's historical service life and salvage records, (2) utilizing those historical records along with additional information inputs, prepare comprehensive depreciation study recommendations, and a written report; (3) provide expert testimony in support of the completed depreciation study, as and when required; (4) and to provide other required depreciation related assistance.

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Work Plan

Procedures utilized in the preparation of a depreciation service life study include the review and analysis of historical service life and/or salvage data to be utilized as a basic benchmark from which to develop prospective service life and salvage factors. Additional studies and considerations must be given to current, as well as anticipated events. Such events would include, but not be limited to, capital budgets, policy changes, technology impacts, and significant facility rebuilds and/or upgrades.

Immediately upon authorization to proceed, we will provide the company with a data request outlining various items including plant statements and schedules, budgets, long-range plans, etc., as well as detailed historical accounting records. Upon receipt of the initial historical accounting data (service life and salvage) from the company, we will verify the data for accounting control and commence initial historical analysis. Subsequently, we will schedule an on-site visit and interviews with management. Based upon our approach, our on-site tasks will include, but not be limited to, a general review of company CPR records and policies, clarification of unresolved accounting data questions, discussions with management concerning various depreciation methods and procedures available to develop depreciation rates, initial depreciation parameter indications, as well as any other concerns related to the depreciation study. While on site, we will meet with engineering and planning staff to discuss future plans and projects related to company's operating facilities, plus complete a physical plant inspection of a representative portion of the company's property.

Methods and Procedures

Typical analytical methods utilized include the actuarial and semi-actuarial methods dependent upon the availability of basis historical data. Accordingly, it is our current anticipation that the proposed study will likely incorporate the use of the actuarial method and possibly the semi-actuarial method to perform the historical analysis on your company's accounting data. The actuarial (Retirement Rate) method involves an analysis of property retirements to determine their age and frequency resulting in an observed life indication which is subsequently fit to standard Iowa Curves to estimate an overall average service life and average remaining life for each property group.

By comparison, the semi-actuarial (SPR) method will be utilized together with yearly balances and/or retirements in conjunction with each group's yearly gross additions and standard Iowa Curve characteristics to determine an estimated life characteristic for each property group.

In addition, location-type properties, such as Gas Storage Plants, Distribution and General Structures, etc. are routinely studied using life span/forecast methods along with the development of applicable interim retirement rates and probable retirement years to develop applicable depreciation rates.

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Depreciation rates are typically prepared for each property account or sub-account maintained by the company. Further, additional depreciation rates may be developed for various sub-categories such as a specific type of plant. The development and application of depreciation rates can be applied using a variety of methods, procedures, and techniques dependent upon company goals and requirements, as well as applicable regulatory policies. The development the proposed depreciation rates would likely be based upon the application of the Broad Group/Average Remaining Life approach, however other approaches will be discussed with company management to provide an opportunity for management to access which basis its desires to use for the ultimate proposed depreciation rates.

Report Content and Completion Target

The results of the comprehensive study will be contained in a written report, which will contain our findings and recommendations with regard to recommended depreciation parameters and rates. Furthermore, the report will contain schedules developing the proposed depreciation rates, as well as the comparison and delineation of changes to depreciation expense vis-à-vis present and proposed depreciation rates. The reports will also contain a detailed narrative describing the factors considered in developing our depreciation proposal, plus will include detailed depreciation calculations used in developing the underlying service life depreciation parameters.

We are prepared to commence with the completion of the depreciation studies upon receiving authorization to proceed. We typically estimate that the study report drafts relative to a project of this scope can be scheduled for completion in approximately ten (10) to twelve (12) weeks subsequent to when the company can forward its historical accounting data, as well as other supporting documents to us. The collection of such data by company staff routinely requires several weeks or more to compile. Notwithstanding the above general time estimate, depending upon management's time requirements, we are prepared to adjust the schedule, as necessary to meet your needs.

Related Experience

As you are aware, the Weber Fick & Wilson Division of AUS Consultants - Utility Services specializes in the performance of various financial studies including depreciation, valuation, cost of service, and rate case exhibits for the utility industry. AUS Consultants provides a wide spectrum of consulting services through it's various affiliated groups which include Utility Services, Valuation Services, ICR Survey Research, and Marketing Systems. The AUS affiliated operating units are staffed with professionals with a total of well in excess of 100 years of depreciation and valuation experience.



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AUS Consultants - Weber Fick & Wilson Division, under the direction of Mr. Robinson, has extensive experience in completing comprehensive depreciation studies relative to all utility industries including gas, electric, water, wastewater, and telecommunications industries.

Specifically, relative to the gas industry, our depreciation project clients have included clients such as Bay State Gas Company, Northern Utilities, Inc. - Maine, Northern Utilities, Inc. - New Hampshire, Oklahoma Natural Gas Company, Southwest Gas Corporation, Paiute Pipeline Company, Canadian Western Natural Gas Company, Granite State Gas Transmission, North Carolina Gas Service, Northern Indiana Public Service Company, PG Energy Inc., Pennsylvania and Southern Gas Company, Providence Gas Company, and Southern Connecticut Gas Company.

Relative to the electric industry, our depreciation project clients have included clients such as New York State Electric & Gas Corporation, Northern Indiana Public Service company, Pennsylvania Power company, Potomac Electric Power company, Lockhart Power company, and Nantahala Power and Light Company.

We have completed many similar studies for telecommunications, water and waste water clients.

In conjunction with past studies, our firm has negotiated depreciation rates with various state regulatory agencies, FERC, and the FCC staff, and supported our proposed depreciation rates in regulatory hearings.

Professionals and Testimony

Relative to testimony, Mr. Robinson has testified extensively on the subjects of depreciation, valuation, and capital recovery. A complete list of his testimony presented in twenty (20) jurisdictions, as well as the client names, docket numbers, and subject matter, is contained on the Appendix to Mr. Robinson's professional qualifications. Numerous other studies have been completed and filed for which hearings were not held. He is a long-term member and participant of the AGA/EEI Depreciation Committee (currently the AGA Accounting Services Committee and EEI Corporate Accounting Committee). Further, Mr. Robinson is a founding member of the Society of Depreciation Professionals. He has served numerous positions within the organization such as Treasurer and President and is currently holding the position of Past President of the Society. Mr. Robinson is a Certified Depreciation Professional (CDP) with thirty (30) plus years of utility experience.

Gary D. Shambaugh, Executive Vice President, has nearly 30 years experience in the utility industry and is a recognized expert in the various financial rate making disciplines. Mr. Shambaugh has also testified numerous occasions regarding a wide variety of matters, including depreciation. Mr. Palko, an associate from AUS Consultants, is a Professional



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Engineer would has experience with regard to numerous disciplines including depreciation, rate base, valuation, and cost of service for various operating utilities.

Project Costs and Billing

Based upon the scope of the project, it is estimated that to complete the comprehensive depreciation study (in which company personnel would provide the basic historical records, as well as other general supporting data), development of depreciation rates, and a written report (five [5] copies) containing a summary of our findings and recommendations will require approximately ten (10) to twelve (12) calendar weeks subsequent to receipt of the company's data.

We estimate that the completion of the tasks involved in the study as well as prefiled written direct testimony, will require professional and clerical service aggregating \$16,500 for the company's electric property, \$11,000 for the company's gas property, and \$3,500 for the company's common plant property. The above cost estimates are based upon economies of scale that will be achieved by performing the studies on all three entities at one time. If depreciation studies were performed on an individual basis for each of the electric, gas and common plant properties, we would anticipate the aggregate cost to be significantly greater than quoted above.

In addition, out-of-pocket costs related to travel and living, postage, telephone, duplication, etc., are billed at cost which may aggregate in the range of five (5) to eight (8) percent of the professional and clerical fees. We will endeavor to minimize such costs to the extent possible.

Our standard billing practice is to bill for services on a monthly basis with invoices due and payable upon receipt. Our current standard billing rates for AUS professionals available to work on the project are as follows:

<u>Consultant</u>	<u>Hourly Rate</u>
E.M. Robinson	\$180.00
G.D. Shambaugh	180.00
S.D. Fogelsanger	135.00
D.A. Sheffer	135.00
Clerical	41.00

If you desire any additional data or information, please do not hesitate to contact me. Our goal is to develop long-term relationships with our clients and we strive to provide excellent service at a reasonable cost. I look forward to receiving your acknowledgment of our engagement to prepare the proposed study.

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Respectfully submitted,



EARL M. ROBINSON

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